

INVESTMENT INCENTIVE AGREEMENT
BETWEEN
THE GOVERNMENT OF THE UNITED STATES OF AMERICA
AND
THE GOVERNMENT OF THE DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

THE GOVERNMENT OF THE UNITED STATES OF AMERICA and THE GOVERNMENT OF THE DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA;

AFFIRMING their common desire to encourage economic activities in the Democratic Socialist Republic of Sri Lanka ("Sri Lanka") that promote the development of the economic resources and productive capacities of Sri Lanka; and in furtherance of the Treaty between the United States of America and Sri Lanka Concerning the Encouragement and Reciprocal Protection of Investments signed at Colombo on September 20, 1991; and

RECOGNIZING that investment and economic development can be promoted through investment support provided by the Overseas Private Investment Corporation ("OPIC"), a development institution and an agency of the United States of America, in the form of investment insurance and reinsurance, debt and equity investments and investment guaranties;

HAVE AGREED as follows:

ARTICLE 1

As used in this Agreement, the following terms have the meanings herein provided. The term "Investment Support" refers to any debt or equity investment, any investment guaranty and any investment insurance or reinsurance which is provided by the Issuer in connection with a project in the territory of Sri Lanka. The term "Issuer" refers to OPIC and any successor agency of the United States of America, and any agent of either. The term "Taxes" means all present and future income taxes, stamp duties, excise duties, customs duties and any similar, substantial charge imposed by the Government of Sri Lanka and all liabilities with respect thereto.

ARTICLE 2

(a) All operations and activities undertaken by the Issuer in connection with any Investment Support, and all payments, whether of interest, principal, fees, dividends or the proceeds from the liquidation of assets or of any other nature, that are made, received or guaranteed by the Issuer in connection with any Investment Support shall be exempt from Taxes.

The Issuer shall not be subject to any Taxes in connection with any transfer, succession or other acquisition which occurs pursuant to paragraph (c) of this Article or Article 3(a) hereof. Any project in connection with which Investment Support has been provided shall be accorded tax treatment no less favorable than that accorded to projects benefiting from the investment support programs of any other national or multilateral development institution which operates in Sri Lanka.

(b) If the Issuer makes a payment to any person or entity, or exercises its rights as a creditor, in connection with any Investment Support, the Government of Sri Lanka shall recognize the transfer to, or acquisition by, the Issuer of any cash, accounts, credits, instruments or other assets in connection with such payment, as well as the succession of the Issuer to any right, title, claim, privilege or cause of action existing, or which may arise, in connection therewith.

(c) With respect to any interests transferred to the Issuer or any interests to which the Issuer succeeds under this Article, the Issuer shall assert no greater rights than those of the person or entity from whom such interests were received, provided that nothing in this Agreement shall limit the right of the Government of the United States of America to assert a claim under international law in its sovereign capacity, as distinct from any rights it may have as Issuer pursuant to paragraph (c) of this Article.

(d) Except as otherwise specifically provided herein, all laws and regulations of Sri Lanka shall apply to projects receiving Investment Support. The Government of Sri Lanka shall, however, ensure that the Issuer is exempted from the laws of Sri Lanka that regulate insurance or financial organizations.

ARTICLE 3

(a) Amounts in the currency of Sri Lanka, including cash, accounts, credits, instruments or otherwise, acquired by the Issuer upon making a payment, or upon the exercise of its rights as a creditor, in connection with any Investment Support provided by the Issuer for a project in Sri Lanka, shall be accorded treatment in the territory of Sri Lanka no less favorable as to use and conversion than the treatment to which such funds would have been entitled in the hands of the person or entity from which the Issuer acquired such amounts.

(b) Such currency and credits may be transferred by the Issuer to any person or entity and upon such transfer shall be freely available for use by such person or entity in the territory of Sri Lanka in accordance with its laws.

ARTICLE 4

(a) Any dispute between the Government of the United States of America and the Government of Sri Lanka regarding the interpretation of this Agreement or which, in the opinion of either party hereto, presents a question of international law arising out of any project or activity

for which Investment Support has been provided shall be resolved, insofar as possible, through negotiations between the two Governments. If, six months following a request for negotiations hereunder, the two Governments have not resolved the dispute, the dispute, including the question of whether such dispute presents a question of international law, shall be submitted, at the initiative of either Government, to an arbitral tribunal for resolution in accordance with paragraph (b) of this Article.

(b) The arbitral tribunal referred to in paragraph (a) of this Article shall be established and shall function as follows:

(i) Each Government shall appoint one arbitrator. These two arbitrators shall by agreement designate a president of the tribunal who shall be a citizen of a third state and whose appointment shall be subject to acceptance by the two Governments. The arbitrators shall be appointed within three months, and the president within six months of the date of receipt of either Government's request for arbitration. If the appointments are not made within the foregoing time limits, either Government may, in the absence of any other agreement, request the Secretary-General of the International Centre for the Settlement of Investment Disputes to make the necessary appointment or appointments. Both Governments hereby agree to accept such appointment or appointments.

(ii) Decisions of the arbitral tribunal shall be made by majority vote and shall be based on the applicable principles and rules of international law. Its decision shall be final and binding.

(iii) During the proceedings, each Government shall bear the expense of its arbitrator and of its representation in the proceedings before the tribunal, whereas the expenses of the president and other costs of the arbitration shall be paid in equal parts by the two Governments. In its award, the arbitral tribunal may reallocate expenses and costs between the two Governments.

(iv) In all other matters, the arbitral tribunal shall regulate its own procedures.

ARTICLE 5

(a) This Agreement shall enter into force on the date on which the Government of Sri Lanka notifies the Government of the United States of America that all legal requirements for entry into force of this Agreement have been fulfilled. Upon so entering into force, this Agreement shall replace and supersede the agreement between the United States of America and Sri Lanka on Investment Guarantees effected by exchange of notes signed at Colombo on February 23, 1966, and any matter relating to Investment Support or otherwise pending under such agreement shall be treated or disposed of under the terms of this Agreement.

(b) This Agreement shall continue in force until six months from the date of a receipt of a note by which one Government informs the other of an intent to terminate this Agreement. In such event, the provisions of this Agreement shall, with respect to Investment Support provided while this Agreement was in force, remain in force so long as such Investment Support remains outstanding, but in no case longer than twenty years after the termination of this Agreement.

IN WITNESS WHEREOF, the undersigned, duly authorized by their respective Governments, have signed this Agreement.

DONE at Washington, District of Columbia, United States of America, on the 19th day of October, 1993, in duplicate, in the English language.

FOR THE GOVERNMENT OF
THE UNITED STATES OF AMERICA



FOR THE GOVERNMENT OF
THE DEMOCRATIC SOCIALIST
REPUBLIC OF SRI LANKA

